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## **News Release**

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### **Gentlemen's club owner sentenced for filing a false tax return**

The owner of the King of Diamonds Gentlemen's Club in Inver Grove Heights was sentenced today in federal court for filing a false 2000 United States Individual Income Tax Return.

On Aug. 20 in St. Paul, United States District Court Judge Patrick J. Schiltz sentenced Lawrence Frank Kladek, 65, Inver Grove Heights, to 20 months in prison and one year of supervised release on one count of filing a false income tax return. Kladek was indicted on Sept. 22, 2008, and pleaded guilty on Dec. 11. Judge Schiltz also ordered Kladek, as a condition of his supervised release, to pay to the Internal Revenue Service all of the back taxes he owes.

According to Kladek's plea agreement, in or about 1999, Kladek purchased an automatic teller machine (ATM) for use by the customers at his adult entertainment establishment. He was supposed to stock the machine with cash deposited into a bank account set up by Kladek for his corporation.

Instead, however, Kladek admitted he diverted and concealed \$170,139 in taxable business earnings by stocking the ATM with business receipts instead of funds received through reimbursement for prior ATM withdrawals. Kladek also admitted using funds in the corporate bank account for personal purchases and investments and concealing the existence of the corporate account from the IRS.

On Oct. 19, 2001, Kladek then filed a U.S. Individual Income Tax Return, in which he willfully failed to report the \$170,139 in business receipts. Kladek also admitted that between 2000 and 2003, he evaded paying approximately \$912,976 in income tax to the IRS.

This case was the result of an investigation by the IRS-Criminal Investigation Division and was prosecuted by Assistant U.S. Attorneys David J. MacLaughlin and Nicole A. Engisch.

